

**MODIFICATION OF THE SPECIAL CONDITIONS OF NATIONAL GRID GAS PLC'S GAS TRANSPORTER LICENCE IN RESPECT OF ITS NATIONAL TRANSMISSION SYSTEM UNDER SECTION 23 OF THE GAS ACT 1986**

**NOTICE OF REASONS FOR DECISION TO MODIFY GAS TRANSPORTER LICENCE UNDER SECTION 38A OF THE GAS ACT 1986**

**Whereas:**

1. National Grid Gas plc ("the licensee") is the holder of a gas transporter licence (the "licence") in respect of its National Transmission System ("NTS") treated as granted pursuant to section 7 of the Gas Act 1986 (the "Act").
2. In accordance with section 23(3) and (4) of the Act, the Gas and Electricity Markets Authority (the "Authority"):
  - (i) gave notice (the "Notice") on 29 April 2008 that it proposed to modify the Special Conditions of the licence in accordance with the Schedule to this Notice;
  - (ii) published the Notice in the manner it considered appropriate; and
  - (iii) served a copy of the Notice on the licensee.
3. The Authority sent a copy of the Notice to the Secretary of State. The Authority did not receive a direction from the Secretary of State not to make the proposed modification before the relevant time specified in the Notice.
4. The Authority received one representation in relation to the proposed modification before the relevant time specified in the Notice. No representations were withdrawn. The Authority has carefully considered the representation made in relation to the proposed licence modification and not withdrawn.

All non-confidential representations made in relation to the proposed licence modifications are available free of charge from the Ofgem Research and Information Centre, 9 Millbank, London SW1P 3GE or from the Ofgem website at [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

5. On 16 May 2008 the licensee gave its written consent to the licence modification proposed in the Schedule to the Notice.
6. The reasons for making the licence modification are set out in the following document published by the Authority:

"Information Provision in respect of NGG's External System Operator Incentive Scheme", Ofgem, 29 April 2008.

This document is available free of charge from the Ofgem Research and information Centre, 9 Millbank, London SW1P 3GE or from the Ofgem website at [www.ofgem.gov.uk](http://www.ofgem.gov.uk)

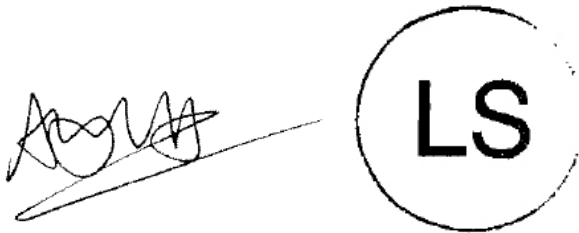
**THEREFORE:**

In accordance with section 23 of the Act and with the consent of the licensee, the Authority hereby modifies the licence in accordance with the Schedule to this Modification, with effect on and from 06:00 hours on 1 June 2008.

This document constitutes a notice of reasons for the decision to modify the conditions of the licence under section 38A of the Act.

Dated 29 May 2008

The Official Seal of the Authority affixed to this modification is authenticated by:

The image shows a handwritten signature in black ink, which appears to be 'Andrew Wright', written over a horizontal line. To the right of the signature is a circular official seal containing the letters 'LS' in a bold, sans-serif font.

**Andrew Wright**  
**Managing Director, Markets**  
**Duly authorised on behalf of the Gas and Electricity Markets Authority**

## SCHEDULE

### PROPOSED MODIFICATION OF THE SPECIAL CONDITIONS OF NATIONAL GRID GAS PLC'S GAS TRANSPORTER LICENCE IN RESPECT OF ITS NATIONAL TRANSMISSION SYSTEM UNDER SECTION 23 OF THE GAS ACT 1986

1. In Special Condition C14 (Information to be provided to the Authority in connection with the transportation system revenue restriction in respect of the NTS transportation owner activity and NTS system operation activity), in paragraph 1:

(a) omit:

<b>Residual balancing incentive information</b>			
$STIP_t$	Sum of total daily residual balancing incentive payments	Formula years	By 30 June in formula year $t+1$
$STIP_t$	Sum of total daily residual balancing incentive payments	Year to date	Monthly 2 weeks after month end
$RBIR_t$	Residual gas balancing incentive revenue	Formula years	By 30 June in formula year $t+1$
$RBIR_t$	Cumulative balance and end of year forecast of residual gas balancing incentive revenue	Year to date	Monthly 2 weeks after month end
$SDPIP_t$	Sum of daily price incentive payments	Formula years	By 30 June in formula year $t+1$
$SDPIP_t$	Sum of daily price incentive payments	Year to date	Monthly 2 weeks after month end

$SDLIP_t$	Sum of daily linepack incentive payments	Formula years	By 30 June in formula year $t+1$
$SDLIP_t$	Sum of daily linepack incentive payments	Year to date	Monthly 2 weeks after month end
$DPIP_{d,t}$	Daily price incentive payment	For each day in the month in question	2 weeks after month end
$DLIP_{d,t}$	Daily linepack incentive payment	For each day in the month in question	2 weeks after month end
$PPM_{d,t}$	Daily residual balancing price performance measure	For each day in the month in question	2 weeks after month end
$LPM_{d,t}$	Linepack performance measure	For each day in the month in question	2 weeks after month end
$OLP_{d,t}$	Opening linepack levels  NTS linepack at 06:00 hours on day D	For each day in the month in question	2 weeks after month end
$CLP_{d,t}$	Closing linepack levels  NTS linepack at 06:00 hours on day D+1	For each day in the month in question	2 weeks after month end

$SAP_{d,t}$	System average price	Daily	D+1
$TMIBP_{d,t}$	Highest market offer price in relation to an eligible market balancing action	Daily	D+1
$TMISP_{d,t}$	Lowest market offer price in relation to an eligible market balancing action	Daily	D+1

(b) omit:

System balancing incentive information			
$SBIR_t$	System balancing incentive revenue	Formula years	By 30 June in formula year t+1
$SBIR_t$	Cumulative balance and end of year forecast of system balancing incentive revenue	Year to date	Monthly 4 weeks after month end
$GCIR_t$	Gas cost incentive revenue	Formula years	By 30 June in formula year t+1
$GCIR_t$	Cumulative balance and end of year forecast of gas cost incentive revenue	Year to date	Monthly 4 weeks after month end
	Daily system gas balancing volumes	For each day in the month in question	2 weeks after month end

SRIR <sub>t</sub>	System reserve incentive revenue	Formula years	By 30 June in formula year t+1
SRIR <sub>t</sub>	Cumulative balance and end of year forecast of system reserve incentive revenue	Year to date	Monthly 4 weeks after month end
GCCP <sub>t</sub>	Gas cost incentive performance measure	Formula years	By 30 June in formula year t+1
GCCP <sub>t</sub>	Gas cost incentive performance measure	Year to date	Monthly 4 weeks after month end
SRCP <sub>t</sub>	System reserve performance measure	Formula years	By 30 June in formula year t+1
SRCP <sub>t</sub>	System reserve performance measure	Year to date	Monthly 4 weeks after month end
	Volume and price of Transco plc's storage bookings by storage facility	For each day in the month in question	2 weeks after month end
GC <sub>t</sub>	Costs incurred in the provision of NTS shrinkage other than ECC <sub>t</sub>	Formula years	By 30 June in formula year t+1
ECC <sub>t</sub>	Costs incurred in purchasing and	Formula years	By 30 June in

	procuring fuel for electric compressors on the NTS		formula year t+1
$UDQI_{t-2,q,d}$	Sum of gas shippers' user daily quantity inputs at Bacton, Barrow, Easington, St Fergus, Teesside, Theddlethorpe, Isle of Grain and Miford Haven	For each day of the year for formula year t-2	By 30 June in formula year t+1
$UDQI^S_{t-2,q,d}$	Sum of gas shippers' user daily quantity input at storage connection point S	For each day of the year for formula year t-2	By 30 June in formula year t+1
$UDQO^S_{t-2,q,d}$	Sum of gas shippers' user daily quantity output at storage connection point S	For each day of the year for formula year t-2	By 30 June in formula year t+1
$GCIT_t$	NTS SO gas cost incentive target	Formula years	By 30 June in formula year t+1
$GCRP_t$	NTS SO gas cost reference price	Formula years	By 30 June in formula year t+1

(c) omit:

Other information required for general market monitoring			
	Daily system demand	Daily	D+1
	Daily interconnector flows at	For each day	Two weeks

	Bacton and at Moffat	in the month in question	after month end
	Daily system allocations by entry terminal by gas shipper	For each day in the month in question	Four weeks after month end
	Daily gas shipper imbalances	For each day in the month in question	Four weeks after month end
	Gas shipper system entry capacity holdings excluding daily sales by gas shipper by terminal by day	For each day in the week in question	One week after week end